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Message Text

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ACTION EA-12

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USDOC FOR USTS

E.O.11652: N/A
TAGS: ETRD
SUBJECT: DOLLAR DEVALUATION MAKES VISIT USA BETTER BARGAIN FOR JAPANESE.

SUMMARY: USTS PROGRAM ACTIVITIES AND USTS SUPPORT OF TRAVEL INDUSTRY IN JAPAN ARE CAPITALIZING ON DOLLAR DEVALUATION TO INCREASE VISIT USA TOURISM.

JW-8-476.

WE PRESENT FOLLOWING POINTS THAT, WE BELIEVE, ARE IN SUPPORT OF GENERATING INCREASED TOURISM TO U.S. AS A RESULT OF DOLLAR DEVALUATION.

1. OUR MEDIA SERVICES EDITORIAL SUPPORT CAMPAIGN CONTINUALLY STRESSES THAT THE FALLING DOLLAR MAKES THE U.S. A REAL BAGAIN FOR JAPANESE CONSUMERS ONCE THEY ARRIVE IN THE USA. EDITORIALS AND ARTICLES CONTINUALLY APPEAR IN THE JAPANESE PRESS TO THIS EFFECT. JAPANESE OVERSEAS TRAVELERS ARE AMONG THE WORLD'S GREATEST SHOPPERS. SINCE A GUCCI HANDBAG, FOR EXAMPLE, COSTS 2 TO 3 TIMES AS MUCH IN TOKYO UNDER ANY CIRCUMSTANCES AS IT DOES IN NEW YORK CITY, THE PRESENT YEN DOLLAR
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EXCHANGE RATE MAKES SHOPPING IN THE U.S. A DOUBLE-PUNCH BARGAIN. FEC HAS BEEN CAPITALIZING HEAVILY ON "BARGAIN USA" FOR THE PAST YEAR AND HALF IN ALL ITS MEDIA CONTACTS.

2. TOKYO ADVERTISING CAMPAIGN IS THEMATIC-DESTINATION ORIENTED IN DIRECT SUPPORT OF WHOLESALERS WITH WHOM

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WE HAVE TOUR DEVELOPMENT CONTRACTS. SINCE THE PRESENT CAMPAIGN IS JUST ABOUT OVER, IT WOULD BE EXTREMELY AWKWARD TO INSERT BARGAIN USA SLUG LINE.

3. ALSO RELATED TO ABOVE IS FACT THAT WHOLESALERS' PACKAGE TOUR PRICES ARE FIXED AFTER TAKING INTO CONSIDERATION INCREASED GROUND COSTS IN USA, INFLATION AND WAGE INCREASES IN JAPAN, EXTRA COSTS FOR GROUPS DUE TO NARITA AIRPORT DEPARTURES, ETC. IN SPITE OF ABOVE, WE HAVE BEEN SUCCESSFUL IN ENCOURAGING PACKAGE TOUR OPERATORS TO MAINTAIN 1978 PRICES AT 1977 LEVELS. ALSO SOME PACKAGED ITINERARY PRICES HAVE BEEN NOMINALLY REDUCED. PLEASE ALSO KEEP IN MIND THAT DOLLAR DEVALUATION HAS ALSO WEAKENED JAPANESE ECONOMY AND IT IS FELT BY INDUSTRY HERE THAT YEN WILL DROP SOONER OR LATER AND THEREFORE WHOLESALERS AND RETAILERS ARE VERY RELUCTANT TO OVERTLY CAPITALIZE ON SITUATION AS SALES OR PR TOOL. SOME, HOWEVER, HAVE ADDED ADDITIONAL INCLUSIVE TOUR SERVICES SUCH AS EXTRA MEALS, FLOWERS AND WINE IN ROOMS, AS WELL AS INCLUDING HERETOFORE OPTIONAL TOUR EXTENTIONS.

4. UNFORTUNATELY, WHILE THE YEN HAS RISEN SOME 20 IN VALUE DURING THE LAST YEAR, MOST AIRLINES HERE STILL USE THE IATA EXCHANGE RATE OF YEN296 TO $1, ELIMINATING ALL OR MOST OF THE GAIN IN THE CURRENT YEN225 TO $1 EXCHANGE RATE. HOWEVER, TWO AMERICAN CARRIERS, UNCLASSIFIED

AMERICAN AND UNITED, RECENTLY BEGAN USING BANK EXCHANGE RATE (APPROX. YEN230 TO $1) RATHER THAN THE IATA RATE IN SELLING THEIR TICKETS. WHILE THIS MAKES PURCHASE OF SOME AIR TICKETS CHEAPER, IT STILL LEAVES THE VAST MAJORITY OF THEM AT THE HIGHER IATA RATE. DUE TO CONSUMER AWARENESS OF DOLLAR DEVALUATION AS GENERATED BY EDITORIAL COVERAGE, JAPANESE I.T. AND BUSINESS TRAVELERS ARE PURCHASING ONE-WAY TICKETS TO FIRST U.S. DESTINATION ONLY AND PAYING FOR REMAINDER OF JOURNEY IN DOLLARS.

5. USTS/TOKYO, TOGETHER WITH AMERICAN FLAG CARRIERS, IS CONSTANTLY EXPLORING THE POSSIBILITY OF BRINGING BARGAIN AIR FARES TO JAPAN AS A MEANS OF INDUCING INCREASED TRAVEL TO THE U.S. TO DATE, NO SUCCESS HAS BEEN ACHIEVED DUE TO STRINGENT STAND TAKEN BY JAPAN'S CIVIL AVIATION AUTHORITIES ON THIS MATTER. ONE OF USTS/TOKYO'S LATEST INITIATIVES IN THIS FIELD HAS BEEN FOR SCHMITZ, UNDER HIS ROLE AS PRESIDENT OF THE FGTO, TO INVITE FREDDY LAKER TO APPEAR AS A GUEST SPEAKER AT A FGTO LUNCHEON BETWEEN SEPTEMBER 1978 AND JUNE 1979 TO SPEAK ON DESIRABILITY OF LOW-COST AIR FARES

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FOR JAPAN. WE HAVE ALSO SUGGESTED THAT AT THE SAME TIME HE COULD ADDRESS NUMEROUS OTHER ORGANIZATIONS, SUCH AS TRANSPORTATION CLUB OF JAPAN, THE JAPAN ASSOCIATION OF TRAVEL AGENTS (JATA), THE JAPAN CHAPTER OF THE PACIFIC AREA TRAVEL ASSN. (PATA), THE JAPAN NATIONAL TOURIST ORGANIZATION (JNTO), MEMBERS OF THE TOKYO FOREIGN CORRESPONDENTS CLUB, TELEVISION AUDIENCES, ETC.

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6. THERE IS EVIDENCE THAT THE GOVERNMENT OF JAPAN IS RECOGNIZING THE IMPORTANCE OF OUTBOUND JAPANESE TOURISM AS BEING A HEALTHY RELIEF VALVE TO HELP REDUCE THIS COUNTRY'S HEAVY SURPLUS IN HER BALANCE OF PAYMENTS. THERE ARE INDICATIONS THAT THE MINISTRY OF FOREIGN AFFAIRS AND THE MINISTRY OF TRANSPORT ARE ENCOURAGING INCREASED OUTBOUND TOURISM, ESPECIALLY TO THE USA, AS EVIDENCED BY JAPAN AIR LINE'S USA ADVERTISING AND PROMOTIONAL CAMPAIGN (SEE CABLE TOKYO 08829). REGIONAL OFFICE IS TAKING ADVANTAGE OF THIS CLIMATE TO SUPPORT JAL CAMPAIGN TO FULLEST EXTENT POSSIBLE WITHIN THE SCOPE OF OUR MISSION.

7. THE JAPANESE EXTERNAL TRADE ORGANIZATION (JETRO) UNDER THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) IS NOW, IN ADDITION TO ITS TRADITIONAL ROLE OF ENCOURAGING JAPANESE EXPORT ACTIVITIES, ENCOURAGING IMPORT OF FOREIGN COMMODITIES. WE ARE THEREFORE THROUGH FGTO INITIATING TALKS WITH JETRO IN AN EFFORT TO INTEREST THEM IN COOPERATING IN THE DIRECT SUPPORT OF OUTBOUND JAPANESE TOURISM WITH THE VIEW TOWARD DECREASING

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JAPANESE EXPORT SURPLUS.

8. IN ADDITION TO INITIATING SUPPORTIVE CATALYTIC ACTION
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IN RELATION TO ABOVE DESCRIBED ACTIVITIES SO AS TO CAPITALIZE ON THE YEN-DOLLAR SITUATION, WE ARE CURRENTLY EMPHASIZING "BARGAIN USA" IN THE COMPILATION OF OUR FY79 CMP WITH SPECIAL EMPHASIS IN THE ADVERTISING AND MEDIA SERVICES SECTIONS.

9. FINALLY, AMEMBASSY HERE IS NOW MAKING PREPARATIONS FOR THE 105-MEMBER U.S. EXPORT DEVELOPMENT MISSIONS TO JAPAN TO VISIT IN OCTOBER. THIS WILL BE THE U.S. ANSWER TO THE FEBRUARY-MARCH IKEDA TRADE MISSION TO THE U.S. ADVANCE TEAMS WILL ARRIVE IN JAPAN IN LATE JULY OR EARLY AUGUST TO LAY GROUNDWORK FOR THESE MISSIONS. SINCE THE 105 MEMBERS OF THIS TEAM ARE TO BE SELECTED BY DOC IN THE NEAR FUTURE, WE RECOMMEND USTS APPROACH RICHARD GARNITZ, DIRECTOR OF DOC'S OFFICE OF INTERNATIONAL MARKETING, WHO HAS JUST COMPLETED A VISIT TO JAPAN ON THIS PROJECT, TO EXPLORE THE IDEA OF INCLUDING A PRESTIGIOUS USTS OR TRAVEL INDUSTRY PERSON TO REPRESENT THE TRAVEL INDUSTRY. THERE IS POSSIBILITY OF VERY HIGH LEVEL DOC LEADERSHIP FOR THIS MISSION, SO THIS REPRESENTS A GOOD OPPORTUNITY FOR USTS TO EDUCATE BOTH THE AMERICAN AND JAPANESE SIDES ON VALUE OF TRAVEL AS AN INVISIBLE EXPORT.

WE BELIEVE THAT THE ABOVE POINTS PRESENT CLEAR EVIDENCE THAT WE ARE TAKING MAXIMUM ADVANTAGE OF THE PRESENT JAPAN-U.S. ECONOMIC CLIMATE TO BOOST USA-BOUND TOURISM TRAFFIC FROM JAPAN IN THE INTEREST OF INCREASING OUR EXPORT EARNINGS FROM THE GROWING JAPANESE OUTBOUND TOBMN MARKET. MANSFIELD

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